

7. Survivor Benefits

The CalSTRS Defined Benefit Program provides benefits to survivors of members who die, either before or after retirement. These benefits are designed to provide a basic level of security for survivors and vary depending on whether the member had Coverage A, Family Benefit or Coverage B, Survivor Benefit.

Coverage A or Coverage B

If you became a CalSTRS member after October 15, 1992, your survivors are protected under Coverage B. If you were a CalSTRS member before that date, you were offered the choice of either Coverage A or Coverage B. Your *Annual Statement of Account* will show which survivor coverage you have or you can call CalSTRS Customer Service at 800-228-5453.

One-time Death Benefit

A one-time death benefit is payable to the one-time death benefit recipient(s) under both Coverage A and B. The amount of the benefit depends on the member's coverage and whether the death occurred before or after the member's retirement. If the member did not name a recipient, the member's estate receives the one-time death benefit.

Monthly Benefits

Monthly benefits may be paid to eligible survivors of members who die before retirement or who are receiving a disability benefit at the time of death. These monthly benefits are not made to option beneficiaries of CalSTRS members who had elected a pre-retirement option. See page 18 for more information on pre-retirement option election. In addition, the survivors will receive the balance of the member's Defined Benefit Supplement contributions and interest. (See page 5.)

Member Has Less Than One Year of Service Credit

If a member has less than one year of service credit, the benefit payable to the death benefit recipient(s) is a refund of accumulated DB and DBS contributions and interest.

How to Report the Death of a CalSTRS Member or Benefit Recipient

CalSTRS should be notified as soon as possible of the death of a member, option beneficiary or CalSTRS benefit recipient. You can either write CalSTRS at

P. O. Box 15275
Sacramento CA 95851-0275

OR

call CalSTRS Customer Service at 800-228-5453

CalSTRS will need the following information:

- deceased person's name and Social Security number
- date of death
- individual's status immediately preceding death: retired, disabled, a member in active teaching status, option beneficiary or other benefit recipient
- name, address and telephone number of contact person

Applications

Applications for survivor benefits are now taken over the telephone in most cases. A caseworker will contact the recipients to complete the application over the telephone. The name and telephone number of the caseworker will be provided to the recipients by written notification.

A copy of the death certificate must be sent to CalSTRS. Additional information or documentation may be requested. CalSTRS payments issued to the deceased after the date of death must be returned to CalSTRS.

Payment of Benefits

CalSTRS generally pays benefits to recipients within 45 days of the receipt of the last required document. Payment may be delayed if documentation, such as marriage or death certificate, is not received in a timely manner or if a *One-Time Death Benefit Recipient* form with current recipient(s) and address is not on file.

If a CalSTRS Member Dies Before Retirement — Coverage A

Under Coverage A, benefits are payable to survivors of a person who became a member of CalSTRS before October 16, 1992, and did not elect Coverage B.

One-time Death Benefit

Under Coverage A, if a CalSTRS member dies before he or she retires, CalSTRS pays a \$6,163 one-time death benefit to the recipient(s) named by the member. (This amount is adjusted periodically by the Teachers' Retirement Board.) If more than one recipient is named, the payment is divided equally, unless the member specified other percentages of distribution. If there is no one-time death benefit recipient, CalSTRS must make the payment to the estate of the deceased member.

For CalSTRS to pay this benefit, the member must have had one year or more of credited service and the member's death must have occurred during one of the following periods:

- while in employment for which compensation is paid or while receiving a disability benefit

- within four months after the member terminated employment or had last earned creditable service
- within four months after the member terminated a disability benefit if no service was performed after the termination
- within 12 months of the last day for which compensation was paid, if the member was on an approved leave of absence without compensation for reasons other than disability or military service

If the member works part time, his or her death must have occurred within four months after ending employment or earning service credit.

In addition to these qualifications, if the member had taken a refund of accumulated retirement contributions, the member must have subsequently performed one year of credited service.

Family Benefit

How do survivors qualify for the monthly Coverage A family benefit?

The member must have met the same eligibility requirements as for the one-time death benefit described above, and the member:

- cannot have a pre-retirement election of an option in effect
- must have earned one year of credited CalSTRS service since reinstatement from service retirement (if applicable)
- must have earned at least one-half year of credited service after a break in service of more than one year (if applicable)

Neither the longevity bonus nor increased age factor is part of the calculation for a monthly Coverage A family benefit. Neither applies because the member died before retirement. (See Section 5, Service Retirement.)

Under Coverage A, a monthly family benefit is payable to:

1) The surviving spouse with eligible children

A dependent child is eligible if he or she is:

- the natural, adopted or stepchild of the member and not adopted by a person other than the member's spouse

** For periods of part-time employment (hourly, substitute, daily), final compensation may be computed using actual salary earned during that period. Contact CalSTRS at 800-228-5453 for more information.*

- born within the 10-month period starting on the date the member died
- under age 22 and unmarried at the time of the member's death and
- financially dependent upon the member on the date the member died, or on the effective date of disability, if the member died while receiving a disability benefit

The surviving spouse will receive 40 percent of the member's final compensation* and 10 percent of the member's final compensation for each eligible child up to a maximum of 50 percent for five or more children. The maximum family benefit is 90 percent of a member's final compensation. The family benefit is payable as long as there is an unmarried, dependent child under the age of 22. (See example on page 52)

2) The surviving spouse with no eligible children

If there are no eligible children (or when the last child is no longer eligible), the surviving spouse may elect to receive:

- a return of the accumulated DB contributions and interest in the member's account at the time of death, less all monthly benefits paid

OR

- a monthly benefit payable for life. The calculation is based on the projected service and final compensation the member would have accrued as if he or she retired at age 60. If the monthly benefit is paid before age 60, the benefit is actuarially reduced

3) Dependent children, but no surviving spouse

If there are dependent children, but no surviving spouse, the dependent children are eligible for 10 percent of the member's final compensation for each child up to a maximum benefit of 50 percent. If there are more than five eligible dependent children, they will share equally in the total 50 percent of final compensation. Benefits are payable to each child until the child is no longer eligible (marries, attains age 22 or is no longer dependent). Once all children are no longer eligible for a benefit, any remaining contributions and interest in the member's account, less all monthly benefits paid, will be paid to the member's beneficiary.

EXAMPLE

Coverage A

Member: Rob, age 40

Spouse: Linda, age 40

Children: Mike 15, Robert 10, & Sandy 5

Service Credit: 10 years

Final Compensation = \$3,220

a. Spouse's Benefit 40% x \$3,220 = \$1,288

b. Children's Increment 3 x 10% x \$3,220 = \$966

Family Benefit with eligible children (a+b) = \$2,254

Less Social Security offset = \$500

Amount payable by CalSTRS = \$1,754

4) Dependent parents

A family benefit can be paid to dependent parents if there is no surviving spouse and no dependent children. A parent will be paid a monthly payment for life beginning at age 60 or, if the dependent parent is under age 60, he or she may elect to receive an actuarially reduced benefit for life. For more information about eligibility requirements for this benefit, contact CalSTRS.

5) Named recipient

If there is no surviving spouse, eligible children or dependent parents, the remaining DB contributions and interest in the member's account, if any, will be paid to the recipient(s) named to receive the one-time death benefit. If no recipient was named, CalSTRS must make the payment to the member's estate.

Offsets

CalSTRS must offset any family benefit under Coverage A by the amount of benefits payable by other public systems because of a member's death. Other public systems include Social Security; federal civil service retirement; federal military disability; railroad retirement; and any other public retirement system, including disability programs financed from public funds.

**The calculation will also include service credit for the member's unused sick leave if he or she became a CalSTRS member before July 1, 1980, or died on or after January 1, 1999.*

A copy of the award letter(s) must be sent to CalSTRS so that payments can be adjusted.

Coverage A — Family Benefit Example

Rob dies at age 40. His survivors include a spouse with eligible children.

Linda will receive a monthly family benefit of \$1,754 as long as she has three eligible children. In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added to the monthly payment each September, beginning a year after Rob's death. As each child becomes ineligible, that child's increment will no longer be included in the basic benefit.

When her youngest child reaches age 22, or is no longer eligible, Linda, age 57, will have to make a choice:

- She can take the remaining DB contributions and interest in Rob's account, less all previously paid benefits.

OR

- At age 60, Linda can receive the surviving spouse benefit payable for life. She will receive a monthly payment of \$1,353.85, based on Rob's projected service and projected final compensation. This equals one-half of what Rob would have received if he had worked to age 60 and elected Option 3* (see footnote on page 51).

OR

- If Linda elects to receive the surviving spouse benefit before age 60, the benefit will be actuarially reduced.

If a CalSTRS Member Dies Before Retirement — Coverage B

Under Coverage B, benefits are payable to survivors of a person who became a member of CalSTRS on or after October 16, 1992, or elected Coverage B.

One-Time Death Benefit

Under Coverage B, if a CalSTRS member dies before he or she retires, CalSTRS pays a one-time death benefit to the recipient named by the member. (This amount is adjusted periodically by the Teachers' Retirement Board.) If more than one recipient is named, the payment is divided equally, unless the

member specified other percentages of distribution. If there is no one-time death benefit recipient, CalSTRS must make the payment to the estate of the deceased member. The one-time death benefit through June 30, 2004, is \$24,652.

For CalSTRS to pay this benefit, the member must have had one year or more of service credit and the member's death must have occurred during one of the following periods:

- while in employment for which creditable compensation is paid
- within four months after the member terminated employment or had last earned creditable service
- within 12 months of the last day for which creditable compensation is paid, if the member was on an approved leave of absence without compensation for reasons other than disability or military service

If the member works part time, his or her death must have occurred within four months after ending employment or earning service credit. In addition to these qualifications, if the member had taken a refund of contributions or had reinstated after retirement, the member must also have:

- earned one year of service credit

OR

- six months must have elapsed since reinstatement from disability retirement

Survivor Benefit

How do survivors qualify for the monthly Coverage B survivor benefit?

The member must have met the same eligibility requirements as for the one-time death benefit and the member:

- must not have a pre-retirement election of an option in effect
- must have earned one year of credited CalSTRS service since reinstatement from service retirement (if applicable)
- must have earned at least one-half year of service credit after a break in service of more than one year (if applicable)
- must have died within four months after reinstatement from disability retirement, if member had reinstated to active membership from disability retirement

Under Coverage B, a monthly survivor benefit is payable to:

1) The surviving spouse

Under Coverage B, the monthly survivor benefit payment is made to a surviving spouse.

The spouse is eligible for a monthly benefit whether or not there are eligible children. The benefit is calculated as if the member had retired under Option 3 on the date of death. Under Coverage B, a surviving spouse has the choice of receiving either a monthly benefit or a return of the member's DB contributions and interest.

The surviving spouse can begin receiving the survivor benefit either:

- immediately as of the member's date of death (The benefit is reduced if the member was under age 60 at the time of death.)

OR

- when the deceased member would have reached age 60

The monthly benefit is calculated on the member's actual service credit and final compensation at the time of the member's death. If the member dies on or before age 60, the member's and spouse's ages as of the date the member would have attained age 60 are used in the calculation.

If the member dies after age 60, the member's age and spouse's age as of the date of death will be used in the calculation.

The survivor benefit calculation will also include service credit for the member's unused sick leave.

Neither the longevity bonus nor increased age factor is part of the calculation for a monthly Coverage B spouse survivor benefit because the member died before retirement (see Section 5, Service Retirement).

2) Eligible children

If there are eligible dependent children and the spouse decides to take a survivor benefit, each child will also receive a monthly benefit. A benefit is not payable to eligible dependent children if there is no surviving spouse or if the surviving spouse decides to receive a return of the member's DB contributions and interest.

A child is eligible if he or she is:

- the natural, adopted or step-child of the member and not adopted by a person other than the member's spouse and
- under age 21 at the time of the member's death and
- financially dependent upon the member at the time of death

The child's benefit begins on the day following the member's date of death and is payable until age 21, even if the spouse elects to wait to receive a monthly survivor benefit until the member's 60th birthday.

If the surviving spouse dies before the last child reaches age 21, the children's benefit is still payable until the child attains age 21. Once all children are no longer eligible for a benefit, any remaining DB contributions and interest in the member's account, less all monthly benefits paid, will be paid to the member's death benefit recipient.

Each child's benefit is 10 percent of the member's final compensation, up to a maximum of 50 percent for five or more children.

Offsets

The monthly survivor benefit under Coverage B is not reduced by benefits payable from other public systems, such as Social Security.

Coverage B-Survivor Benefit Example

Rob dies at age 40. His survivors include a spouse with eligible children.

Linda can choose the surviving spouse benefit or she can choose to take a refund of the contributions and interest in Rob's Defined Benefit account.

However, if she does not elect a monthly benefit, the children are not entitled to monthly benefits.

If Linda elects the survivor benefit, she will immediately receive 10 percent of final compensation for each child (\$322 each) as of the date of Rob's death, until each child reaches age 21.

Linda's Choices

Linda can choose to receive her surviving spouse benefit when Rob would have reached his 60th birthday (normal retirement age) and receive the full amount or she can choose to receive a reduced benefit immediately. (Note: The surviving spouse benefit is calculated based on the amount of service credited at death, as if the member lived to age 60

and had retired naming her as an Option 3 beneficiary, which is 50 percent of the modified benefit).

If Linda's choice is to defer receipt of her surviving spouse benefit, the children will receive the following benefit immediately as of the date of Rob's death:

10% of final compensation for each child
 $\$322 \times 3 \text{ children} = \966

(Linda would receive no spouse benefit until Rob would have reached age 60, which would be 20 years from this time. She would then receive a spouse benefit of \$305.13 for the rest of her life. See below for calculation of the Option 3 beneficiary benefit.)

If Linda elects to take her surviving spouse benefit immediately, the family will receive the following survivor benefit:

Linda's reduced spouse benefit (see calculation below) = \$ 53.25
 10% of final compensation for each child
 $(\$322 \times 3 \text{ children}) = \966.00
 Total = \$1,019.25

Each child's separate benefit will stop when that child reaches age 21. After Linda's last child turns 21, she will continue to receive her spouse's benefit, \$53.25 per month in this case, for her lifetime.

In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added each September, beginning a year after Rob's death.

Choices Linda has to make for the spouse's monthly benefit:

deferring benefit until Rob's 60th birthday

$$\$610.25 \div 2 = \$305.13$$

OR

starting benefit as of the date of Rob's death

$$\begin{aligned} &\$305.13 \times 17.45\% \text{ (age 40 reduction factor)} \\ &= \$53.25 \end{aligned}$$

What if there is no surviving spouse?

No monthly benefits are payable to survivors if there is no surviving spouse. The member's DB accumulated retirement contributions and interest would be paid to the member's recipient as a one-time benefit.

If no recipient was named, CalSTRS must make the payment to the member's estate.

If a Member Dies After Retirement—Coverages A and B

One-Time Death Benefit

If a member dies after he or she is retired, the one-time death benefit is the same under both Coverage A and Coverage B.

EXAMPLE CALCULATIONS

Member: Rob, age 40
 Spouse: Linda, age 40
 Children: Mike 15, Robert 10, and Sandy 5
 Service credit: 10 years
 Final compensation: \$3,220

Rob's unmodified benefit, as if he were age 60
 $2\% \times 10 \text{ years of service credit} \times \$3,220 \text{ final compensation} = \644.00

Modified benefit, based on Option 3 factor of 94.76% (member and spouse age 60)
 $.9476 \times \$644 = \610.24

Option 3 – Beneficiary receives one-half the member's modified benefit
 $\$610.24 \div 2 = \305.13

CalSTRS pays a one-time death benefit to the recipient(s) of a retired member. (The amount of the payment may be adjusted periodically by the Teachers' Retirement Board.) If more than one recipient is named, the benefit is divided equally, unless the member specified other percentages of distribution. If there is no one-time death benefit recipient, CalSTRS must make the payment to the member's estate. The one-time death benefit through June 30, 2004 is \$6,163.

Depending on the annuity option selected for the member's Defined Benefit Supplement account, the balance of the member's DBS account may be distributed to the recipient(s).

Monthly Benefit

Once a member has retired, no monthly benefit is payable to survivors unless the member has chosen one of the options described in Section 5, Service Retirement, Electing an Option. If the member has chosen an option, the option beneficiary(ies) will receive the monthly benefit payable under that particular option. If the retired member has not chosen an option, he or she has been receiving an unmodified monthly benefit.

The option beneficiary who is receiving a monthly benefit may name a beneficiary to receive any remaining accrued benefit upon the option beneficiary's death.

Unmodified Monthly Benefit

For the retired member who elects the unmodified benefit and receives it for his or her lifetime, no continuing monthly benefit will be payable to a beneficiary.

However, the one-time death benefit recipient(s) will receive the benefit that accrued and was not paid during the month of death plus any residual DB contributions and interest that may be in the retired member's account, after all benefit payments made to the retired member have been deducted.

EXAMPLE - DIES AFTER RETIREMENT

Elaine had been retired for 10 years at the time of her death on the 15th of the month. Elaine's monthly benefit was \$950. She had \$35,000 in contributions and interest at the time of retirement and received \$115,000 in retirement benefits before her death.

The amount payable to Elaine's recipient would be calculated as follows:

Contribution and interest balance at retirement	\$ 35,000
Less retirement benefit paid	– \$115,000
Remaining contributions and interest	0
Accrued monthly benefit during the month of death (1/2 month x \$950)	\$ 475
Current one-time death benefit	\$ 6,163
Total Payable	\$ 6,638

